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The AMERICAN OBSERVER

A free, virtuous and enlightened people must know well the great principles and causes on which their happiness depends. — James Monroe

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Germany Key Nation in World Situation

Aside From Far East Affair German Political Events at Root of Present Troubles

REVIEW OF LATE DEVELOPMENTS

In Last Few Months Nations Have Been Brought to Brink of Crisis

Each succeeding week we have recorded in these pages the swiftly moving dramatic events which have kept the world in a constant state of uneasiness and uncertainty during the last nine months. At times those events have been startling in nature, at times they have seemed inexplicable. But as we bring them into review, we see how they fit into one broad general picture. We see how the nations are tied together by one long, tortuous string. If pulled at any point, the tug is felt everywhere.

The Far East

The most likely starting point in this brief survey of international developments is in the Far East. When school opened, Japan and China had been fighting over Manchuria for about a year. Japan had conquered the province, declared it independent and given it the name of Manchukuo. The League of Nations, naturally very much perturbed, was preparing to receive the report of the Lytton Commission, a special body of investigation which it sent to the Far East. The report was made public on October 2. It condemned Japan and recommended a settlement for the affair, which would permit neither a return to the old order nor a retention of an "independent" Manchukuo under Japanese control. The League considered the report, and on its basis, officially condemned Japan on February 24. The Japanese delegation walked out on the League and since then Japan has tendered her resignation. The League was forced to content itself with the appointment of a committee of twenty-one nations, charging it with the duty of seeking a settlement of the Far East affair. Meanwhile, Japan, annoyed at the resistance of Chinese irregular soldiers, pushed her drive south of Manchukuo into Jehol and by March had annexed the province. Now she is conducting a campaign south of the Great Wall and threatens to invade the cities of Peiping and Tientsin in which there are many Americans. The situation remains dangerous and may, in time, cause a tremendous explosion.

These events in the Orient have served to shake the faith of nations in the ability of the League of Nations to keep peace among its members. They have shown that peace pacts and treaties are not always enough to prevent nations from fighting. And in good measure, the Far Eastern affair has contributed to the stagnation of the disarmament conference. When that meeting convened for the first time in February, 1932, there were great hopes that it would result in a substantial reduction in the world armaments. But it has lingered on, month after month, without tangible accomplishment. Plan after plan has been submitted without avail. The lat-

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HISTORY—CURRENT AND OTHERWISE

—Seibel in Richmond TIMES DISPATCH

The Undiscovered Continents

The philosopher, George Santayana, has expressed an idea which is worth the attention of young men and women in the schools and colleges as the commencement season approaches. He says in the first chapter of his "Character and Opinion in the United States" that "the moral world always contains undiscovered or thinly peopled continents open to those who are more attached to what might or should be than to what already is." Those who are attached to things as they are find themselves in crowded territory. They will have plenty of support every time they defend injustice on the ground that it is customary; every time they stand for outworn principles of conduct on the ground that these principles are sanctioned by usage. Business men who lie in advertising their products, lawyers who resort to sharp practices to free clients whom they believe to be guilty, politicians who vote against their convictions in order to win votes, editors who take the popular side of controversies when they believe the unpopular side to be right, men and women of all sorts who practice little deceits for personal advantage; all these can show that they are but following customary practices. They are living up to the accepted ethical codes. They are traveling beaten paths. They are settling in thickly peopled continents. There is a challenge, though, to the aspiring young people of the nation to follow a more distinguished course. They may remove themselves from the herd by going on expeditions of moral exploration. They know full well that false moral codes are responsible for a large share of our ills. Selfishness among nations, the absence of sympathy for foreigners, injustice toward classes of the population, unfair dealings between employers and employed, the unbridled quest for profits regardless of the common interest in the business world—what miseries have come from these practices! And what heartaches have resulted from the conduct of individuals in their personal relations—conduct which is legal and even customary, but lacking in that highest moral quality of thoughtfulness, consideration and altruism! When one leaves the beaten trails of social habit and undertakes to find for himself the paths of justice, he sets himself at no easy task. It is hard to measure the consequences of our acts so as to weigh them in the balance and say which is good. It is hard to discover the roads to justice and truth. We do know, however, that many of the accepted moral codes are inadequate. We can resolve to satisfy exacting demands of conscience in the determination of our personal and public relations. We can enlist ourselves as explorers in search of those "undiscovered or thinly peopled continents" where those reside who "are more attached to what might or should be than to what already is."

Significant Events of Year Are Noted

Reconstruction Plans of Present Administration Stand Out in Recent Developments

CONSTITUTIONAL CHANGE MADE

Other Events Deal With Politics and Problems Arising From Depression

Since this is the last issue of THE AMERICAN OBSERVER which will go to the schools, we are devoting the two main articles to a review of the major developments of the last nine months in the domestic and international fields. The paper will of course be published as usual during the summer months.

An idea of what has happened in our own country since the beginning of the present school year may best be had by turning our attention back to the beginning of September and examining the headlines of the daily newspapers. At that time, the resignation of Mayor Walker of New York City, the farm strike in the Middle West, the preparations of Governor Roosevelt for his 8,900-mile campaign tour, the coming elections in Maine, were the main topics of public interest. Since that time the country has witnessed events of unusual importance. It has passed through a presidential campaign. It has seen a change in the Constitution. It has witnessed a national panic the extent of which was not fully appreciated at the time by every citizen. But more important still, it has participated in a transformation of economic and political philosophy the true import of which can be determined only by future events. Thus, action on the part of our governmental leaders which nine months ago would have been branded as wild radicalism and economic heresy is today either accepted blandly or praised enthusiastically by a majority of the people.

Three Periods

Logically, the period we are reviewing divides itself into three almost equal parts, each one of three months' duration. There is the period from September to December, the principal event of which was of course the presidential campaign. The second period covers the months of December, January and February when interest centered on the doings of Congress and the preparations for the new administration. The last period began with the inauguration in March and has not yet ended. Its primary development is the Roosevelt program of reconstruction which, it is expected, will be whipped into final shape before the adjournment of Congress next month.

Of the political campaign, little need be said. Those who have gone through other presidential campaigns recall that it was essentially the same as past contests. There was the usual "pointing with pride" and "viewing with alarm." Republican orators, as might be expected, spent themselves lauding the accomplishments of the Hoover administration, telling the people how the country would have gone to rack and ruin if the Democrats had been in power during the period of national emergency, and warning the voters that sad days were in store for them if they placed the Democrats in office. Nor were the tactics of the Democrats very different. They too appealed to mass emotions. They

decided the inactivity of the Republicans, blamed the depression on the policies of their opponents and promised the return of happy days if the voters would place confidence in them.

Few concrete issues were touched upon. Aside from the tariff and prohibition, the candidates were vague in talking about the grave issues besetting the nation. The Democrats, recognizing that their chances of being swept into office on a wave of discontent were excellent, refrained from raising questions which might have alienated certain sections of the population. And the Republicans likewise used all their political sagacity in desisting from treading upon too dangerous ground. Thus, the national landslide which swept Franklin D. Roosevelt and a substantial majority of Democrats in both houses of Congress into office and which left the gubernatorial chairs with only ten Republicans was due more to the widespread dissatisfaction with the state of affairs than to any clear-cut choice between the policies outlined during the campaign.

Lame Duck Session

Few sessions of Congress have met when there was a greater need for immediate action than the last session of Seventy-second Congress which assembled in Washington last December. The depression was entering its fourth year. Conditions were gradually becoming worse. About one third of all the nation's workers were out of jobs. Business was prostrate. Agriculture was feeling the pinch of continued low prices to such an extent that rebellion appeared imminent. Hunger marchers converged on the capital for the purpose of calling their woes more forcefully to the attention of Congress. And yet, everyone knew that little would be accomplished. The nation witnessed the rather ludicrous spectacle of men who had been repudiated at the polls still attempting to enact laws. It saw such a sharp division between the executive and legislative branches of the government that action of any sort was virtually impossible. Fortunately, such a state of affairs was not to be repeated, for by January thirty-six states had ratified the twentieth amendment to the Constitution which abolishes the Lame Duck session of Congress and prevents the enactment of laws by men who have been defeated for reelection.

Two Major Bills

Two major accomplishments mark that session of Congress. In January, it passed the Philippine Independence bill over the veto of President Hoover. Two weeks before adjournment, it adopted a resolution submitting to the states a new amendment to the Constitution, an amendment repealing national prohibition. It is expected that by the end of the present year thirty-eight states will have acted on the proposed twenty-first amendment. It was left to the special session of the new Congress to take action on the Volstead act and legalize the sale and manufacture of beer. At the present time, thirty-three states have legislation authorizing the sale of 3.2 beer within their borders.

Many other matters of national concern were debated during the short session of Congress. Some of them passed one house, only to be defeated or pigeonholed by the other. The House passed a farm relief bill which failed to receive the approval of the Senate. Unemployment relief bills were debated in both houses. But aside from the law revising bankruptcy procedure in the United States, no major legislation can be credited to the short session. Relief legislation, banking reform, war debts settlement, government economy and reorganization, and a host of other burning issues were not successfully tackled during those three months.

The Inauguration

Without doubt, the event of the last nine months which overshadows all others was the inauguration. More than a hundred million people were tense that Saturday morning in March as Herbert Hoover and Franklin D. Roosevelt rode together from the White House to the Capitol to participate in the inaugural ceremonies.

The entire nation was in a state of panic. Practically every bank in the country had been closed by the state governments because of the heavy withdrawals of funds. Ominous forebodings were everywhere apparent. The entire atmosphere was filled with uncertainty. What was the new president going to say? What did he intend to do about the depression? Was he going to sound the much-needed note of hope, of courage, of promise? Few people knew what to expect. He had been rather vague during the campaign and aside from outlining generally his philosophy of government and giving promises of a "new deal" had not touched upon the burning issues of the day.

Whether this program has been a wise one can be answered only in the future. Its success or failure depends so much upon unknown factors not the least important of which is the reaction of the people themselves. Admittedly, the administration is undertaking a bold course of action. Many of the plans to be tried are clearly experimental in nature. Some of them have been opposed on the ground that they are unsound. But however men may disagree as to the wisdom of the whole program as revealed at present, they all agree that the rapidity with which the administration has acted in the face of an emergency is unparalleled in time of peace. Without attempting an appraisal



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THE INAUGURATION WAS THE YEAR'S OUTSTANDING EVENT
It was a dramatic day which ushered in a new president. Since then developments have taken place which the student will have cause to remember for many years.

In that first statement to the nation, President Roosevelt sounded a call to action. Without indulging himself in long-winded phrases couched in ambiguous terms, he went to the root of the problem. He took a realistic view of the troubles besetting the country and promised definite action both to cope with the immediate panic and to heal the more deep-seated ills in our economic system. Action was the imperative need of the hour. If Congress should fail to enact an adequate program of recovery, the president said, he would demand the same authority that is conferred upon the chief executive in time of war, that is, broad executive powers.

Program of Action

This promise of action was not an idle gesture. Almost immediately, he set in motion the wheels of a program of reconstruction. Within twenty-four hours he had made preparations to deal with the banking crisis. He sent out a call for the new Congress to meet in special session to enact legislation necessary to handle the emergency. He prepared an attack along all fronts and sent message after message to Congress requesting action on his program.

of the merits or demerits of the program, it is possible here very briefly to list the major planks in that platform upon which the administration is trying to reconstruct our national economic life. In the eleven weeks of its existence, the Roosevelt record of action consists of the following.

To Date

1. Action to meet the banking crisis. A national banking holiday was declared to prevent further losses to depositors and to permit an examination of all banks. Decrees against the hoarding of gold by Americans and the exportation of gold to foreigners. Steps looking toward the reorganization of our banking system along more stable lines were taken.

2. A reduction of approximately one third in the operating expenses of the federal government brought about by cuts in the allowances to war veterans and a revision of the entire pension system, reductions in government salaries, reorganization of the governmental machinery and other economies. It is estimated that the budget has thus been brought within \$120,000,000 of balance.

3. An attempt to handle the farm situation by a relief bill providing for the lift-

ing of prices through decreased acreage, a tax on certain products and other means. Also, provision for easing the farm mortgage burden.

4. Plans for government operation of the Muscle Shoals plant and for a huge reclamation project in the Tennessee valley. Consideration of plans for similar developments in other river basins of the nation.

5. Provision for the employment of approximately 250,000 jobless men in the national and state forests of the country, at a wage of \$1 a day with food, clothing and lodgings.

6. Authority to raise prices by monetary policies under the provisions and limitations of the inflation amendment to the farm relief bill.

7. Plans for a public works program of more than \$3,000,000,000 to be financed by the federal government as an unemployment relief measure and means of stimulating business activity. In conjunction with this, an industry-control program by which the government will undertake to cooperate with and regulate business in matters of production, prices, wages and hours of work.

8. A railroad reorganization program with a view to eliminating duplication, promoting greater efficiency and generally putting the railroads on a sound footing.

9. A plan to prevent losses to investors in worthless and unsound stocks and bonds by requiring all corporations to give full publicity of all information concerning their organization.

10. Direct relief by the federal government up to a total of \$500,000,000. This appropriation to supplement the state, local, and private funds used to relieve distress and suffering.

11. A plan for assistance to owners of city real estate whose property is mortgaged.

12. A program of attack on the international front, believed to consist in agreements with other nations for the reduction of tariffs and other barriers to trade, and authority to settle the war debt issue.

Such of these measures as have not already received the approval of Congress will, it is believed, be passed before the adjournment of the special session. In this way, the administration will have an opportunity to give effect to their provision with as little delay as possible.

GERMAN PRIVATE DEBTS

Germany is planning to declare a transfer moratorium on her private debt to foreigners. The country's export trade has dwindled to the point where it is becoming impossible to send abroad the sums necessary to meet payments of interest and principal on the \$4,589,000,000 still owed foreign banks and individuals. Accordingly a meeting of creditors has been called in Berlin for May 25. The announcement is expected then that for the present Germany must cease transferring money abroad. Instead, German debtors will be required to deposit their payments in marks with the Reichsbank which will act as trustee for foreign creditors. The money will be held and transferred as conditions permit. It is believed that this action on the part of Germany will bring to a head the much-discussed question of Germany's private debt. Ever since the Hoover moratorium on governmental debts it has been evident that German state and municipal governments and corporations would have difficulty in meeting their obligations abroad, and that eventually they would have to receive assistance. The question has been postponed by a series of standstill agreements, brief moratoriums in themselves, but now it appears that Germany expects her private debt to be scaled down. Of the sum owed abroad \$1,910,000,000 is due creditors in the United States.

The world political and economic crisis has prevented the second Gandhi fast from receiving much attention. The Mahatma, however, passed quietly the first week of his twenty-one day fast, begun as a protest against the treatment of Untouchables.



HE record of Congress during the second week in May was as follows:

SENATE. Confirmed Eugene R. Black, of Georgia, as governor of the Federal Reserve Board. Banking and Currency Committee reported favorably the Glass banking reform bill with provision for guaranty of bank deposits. Passed the gasoline-electricity tax bill. Conference committee reached agreement on Muscle Shoals-Tennessee Valley development plan. Adopted conference report on farm relief bill.

HOUSE. Passed the Wagner relief bill, providing for grants amounting to \$500,000,000 by the federal government. Labor committee reported bill fixing wages and hours of work for industry but no action expected because the administration's own plan of industry control was to be substituted. Passed the appropriation bill for independent offices of the government. Defeated a resolution calling for an investigation of the motion picture industry.

Roosevelt Asks Peace

President Roosevelt left room for no doubt that the United States is prepared to assume a position of leadership in World affairs when he issued his stirring appeal for peace on May 16. Addressing a note to the government heads of 54 nations, the president asked for success of the disarmament and economic conferences and proposed a world-wide non-aggression pact.

The statement was made public on the day before Adolf Hitler was scheduled to make his speech defining the foreign policies of Germany. The fear that Hitler would declare for immediate German rearmament had brought on a state of feverish anxiety in the capitals of the world. President Roosevelt seized the opportunity to crusade for peace and at the same time sound a veiled warning to Germany.

The president said that decisions must be arrived at quickly at the London Conference next month. He declared that success at Geneva was essential and urged acceptance of the MacDonald plan now under consideration. He proposed, pending action at Geneva, that each nation agree not to increase its armaments above the limits of treaty obligations. His suggestion for a non-aggression pact and his warning to Germany were worded as follows:

That all nations of the world should enter into a solemn and definite pact of non-aggression: That they should solemnly reaffirm the obligations they have assumed to limit and reduce their armaments, and, provided these obligations are faithfully executed by all signatory powers, individually agree that they will send no armed forces whatsoever across their frontiers.

Common sense points out that if any strong nation refuses to join with genuine sincerity in these concerted efforts for political and economic peace, the one at Geneva and the other at London, progress can be obstructed and ultimately blocked. In such event the civilized world, seeking both forms of peace, will know where the responsibility for failure lies. I urge that no nation assume such a responsibility, and that all the nations joined in these great conferences translate their professed policies into action. This is the way to political and economic peace.

Geneva Uncertain

As the whole world awaited Chancellor Hitler's pronouncement on foreign affairs, the disarmament conference was in temporary adjournment and delegates in Geneva were wondering about their immediate future. It was generally recognized that the fate of the conference rested with the German chancellor. Either he would make possible its continuance or he would precipitate its failure. In anticipation of the latter development Geneva was considering adjournment until fall after a brief general session during which the countries opposed to Germany would make public statements blaming her for the collapse of the meeting.

Il Duce's Change of Heart

Premier Mussolini no longer entertains the same friendly feeling for Germany which he seemed to have when Hitler came into power. It is reported that the visit of Captain Wilhelm Goering, German minister of aviation, to Rome last month established a breach between the two countries. The German representative is said to have shocked Mussolini by a violent denunciation of practically every country in Europe. It is stated that he demanded Italy's consent to a trade pact between

Austria and Germany. He also asked that the Italians cease contributions to the Austrian Heimwehr, the army which supports Chancellor Dollfuss and keeps the Nazis from coming into power. But what was still more displeasing to Il Duce was Captain Goering's denunciation of Great Britain. It is the established practice of Italy not to embrace a policy contrary to that of Britain's.

Farm Strike Postponed

The farm strike, which was scheduled to begin May 13, was called off at the eleventh hour by leaders of the National Farmers' Holiday Association, the organization behind the movement. Milo Reno, president of the Holiday Association, declared that the farmers were going to give the administration an opportunity to try out its plans of farm relief before taking such drastic action. This decision was taken a few hours after the president had signed the farm relief bill.

Farm-Inflation Bill Signed

The gigantic farm relief-inflation bill, one of the most hotly debated features of the Roosevelt recovery program, was signed by the president May 12. There are three main sections to the bill. The first provides for a reduction in acreage in an effort to increase farm prices; the second is a plan for farm mortgage relief through lower interest rates; and the third is the inflation section granting broad powers over the currency to the president. At the time of signing, the president made an appeal on behalf of the farmers whose property is mortgaged. He urged holders of mortgages to desist from foreclosing until the bill becomes operative.

Wyoming for Repeal

Last week two more states elected delegates to the state conventions which are to decide the fate of national prohibition. Wyoming voters went to the polls May 15, and New Jersey voters the following day. Early returns from Wyoming indicated a 5 to 1 lead by the wets. A similar wet trend was expected in New Jersey. Before the end of the present month, several other states will have acted on the twenty-first amendment, and before the end of 1933 thirty-eight states—two more than the number necessary for ratification—are expected to have taken action.

Tension Grows in Austria

With the passing of each week Austria continues to grow more and more restless. The country is torn between two conflicting elements, one composed of Nazis who would have union of Austria with Hitlerite Germany, and the other of those who support Chancellor Dollfuss' dictatorship and his endeavors to maintain an independent Austria. The chancellor has the army, the Heimwehr, in back of him, but the Nazi movement appears to be growing apace. Recently at a Heimwehr demonstration in Berlin, the troops were loudly booed by masses of Nazis who, gathered together, gave an indication of their numerical strength. At the same time fuel was added to the fire by a rebuff offered by the government to Dr. Hans Frank, minister of justice in the German province of Bavaria. Dr. Frank paid a visit to Austria in order to address a public meeting, and announced that Herr Hitler would shortly visit his native country. Upon his arrival in Vienna he was told that his "visit was not very desirable." The German government protested sharply against the treatment accorded Dr. Frank, but Chancellor Dollfuss pointed to declarations made by the German belittling the Austrian government.

Unofficial Cabinet

Frank R. Kent, veteran political commentator of the Baltimore Sun, in a recent article calls attention to a number of offices in the Roosevelt administration which are likely to be more important than the cabinet positions. This unofficial cabinet, declares Mr. Kent, will be more influential than the president's official family, since it will have charge of putting into effect most of the features of the "new deal." The positions in this group, most of which have

not yet been filled, are as follows: (1) farm administrator; (2) industrial planner; (3) railroad coordinator; (4) budget director; (5) public works director; (6) relief administrator.

Reparations Again

Restoration of the Young Plan, which provided for German reparations payments, is being discussed in Paris as agreement with the United States on war debts seems more remote. It has been the consistent French position that the Young Plan was set aside at Lausanne last summer only on the implied condition that there should be a subsequent revision of war debts. Ever since the war, they have maintained (and it has been the common European attitude as well) that payment on war debts to the United States must depend on the receipt of reparations from Germany. The United States has disputed this theory, insisting that the problems were not related. Our interpretation, however, has not changed Europe and particularly France. If there is no agreement looking toward revision of the war debts, there is certain to be a strong movement in France for a return to the Young Plan schedules. This attitude is in line with France's present determination to stiffen its position with regard to Germany. When Hitler came into power there was surprising reticence in France. But recent events have caused many French to feel that Germany must be made to understand that there are forces to be reckoned with if she embarks upon an aggressive foreign policy.

Federal Reserve Head

Eugene R. Black, governor of the Atlanta Federal Reserve Bank, has been appointed by President Roosevelt to the governorship of the Federal Reserve Board, a post previously held by Eugene Meyer. This post is regarded as one of the most important in the present administration because of the complicated monetary problems raised by the inflation and banking legislation passed during the present session.

Trouble Feared in Danzig

A decisive election is to take place in Danzig May 28. The local National Socialist party is seeking control of the city, and if it meets with success in the election, a link will have been welded between Germany and the free city. Poland was anxiously awaiting developments. Although assured by Nazis in Danzig that the rights and property of Poles would be respected, they felt none too secure. The city was in a state of tension before the elections. Obviously, there is dynamite in the Danzig situation. Composed largely of Germans, although declared free and placed under the control of the League, the city has been a constant issue between Germany and Poland. The Germans are anxious to regain the city. Poland is of course unalterably opposed because of the city's strategic location at the head of the corridor.

Students Protest in Chicago

Protesting against the recent refusal of Charles G. Dawes and other Chicago bankers to buy the tax warrants with which the school teachers have been paid, thousands of Chicago students paraded through the streets of the lake city May 9. Mr. Dawes in particular was the object of the students' wrath because of his unfriendly attitude evidenced some time ago when teachers demanded payment from the bankers.

Chaco War Before Council

The Council of the League met in special session May 15 to consider Paraguay's declaration of war against Bolivia, outcome of the Chaco dispute. Plans were under way to provide for the sending of a special commission to South America. There was some doubt, however, as to whether an attempt should be made to determine which country was the aggressor before sending the commission. The French were holding out for such a procedure. They contended that a public meeting of the council should be convened and that both Paraguay and Bolivia should

be asked unconditionally to state if they trusted to the justice of the League. The country refusing would be declared the aggressor, and would be liable to penalties. If both accepted, the special commission would be sent. The British believed that it would be better to send the commission first and decide the issue of aggression later.

Public Works

According to reports from the White House, the administration recovery program will involve the expenditure of more than \$5,000,000,000. A total of \$3,300,000,000 will be spent on public works. Half a billion will be used for direct relief of the unemployed. The costs of administering the mortgage relief plans will be deducted from the total. The balance, it is understood, will be spent on various self-liquidating projects, such as slum clearance and housing programs.

Financing the Project

The public works bill was ready to be presented to Congress last week. After conferring with members of Congress and other advisers, the president decided to let Congress determine the best method of raising the money necessary to pay the interest on the bonds which must be floated to finance the program. It is estimated that approximately \$220,000,000 a year will have to be raised to meet the interest charges and provide for retirement of the bonds when they fall due. Various forms of taxation have been recommended, including the sales tax, an increase in the income tax, a higher gasoline tax and special taxes on certain luxury products.

Direct Relief Passed

The \$500,000,000 direct relief bill was signed by President Roosevelt May 12. Thus, for the first time since the depression began, the federal government has adopted the policy of granting outright gifts to the states for relief purposes. Mr. Roosevelt made it known, however, that this federal appropriation did not exempt the state and local governments or private charity organizations from doing everything in their power to relieve suffering.

Vets Offered Jobs

As veterans of the World War began marching on Washington May 11 to demand cash payment of the bonus, President Roosevelt considered means of handling the situation. Although it is understood that the president is opposed to payment at this time, he is considering other ways of helping the ex-soldiers. As a preliminary measure, 25,000 veterans have been offered work in the forests.

Japan Pushes Onward

The Japanese have continued their advance into Northern China, and by May 15 were in striking distance of the important centers of Peiping and Tientsin. There were reports that Japan was planning to establish another "independent" state in North China which would act as a buffer state between China and Manchukuo. This region, it was said, would continue to be occupied by Japanese troops until all outstanding differences between Japan and China had been settled.

Veterans' Compensation

Because of the injustices imposed by certain features of the recent economy act as applied to veterans, President Roosevelt has instructed the Veterans Bureau to make adjustments so as to make more equitable payments to veterans whose injuries were actually the result of service in the army. The president admitted that some injustices had been wrought by the economy act, and his recent order is designed to straighten them out.

Young Assails Debt Stand

In an address delivered before the annual conference of the Association of Junior Leagues of America at Philadelphia May 14, Owen D. Young, prominent industrialist and author of the Young plan of reparations, denounced the unrealistic policies pursued by the United States government since the war as primarily responsible for the present depression. The whole stand on war debts, he declared, was based on error and by insisting on payment the United States succeeded in ruining "the banking systems of the world, including our own, until international exchanges and trade were paralyzed."

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HITLERISM vs. AMERICANISM

One of the ugliest features of Hitlerism in Germany is the denial to the people of free speech and a free press. German papers do not dare to oppose the policies of the Nazis. Many of the opposition papers have been forced to cease publication. Others have been taken over by the followers of Hitler. Still others are allowed to go on under their old management, but with the understanding that they shall not criticize the Nazi régime. Foreign newspapers which are critical of the Hitler government, papers like the *Manchester Guardian*, are banned from Germany. Individual citizens are afraid to express themselves freely in private correspondence for fear their letters will be read by the censor. And now comes a new attack upon the freedom of expression. There has been a book-burning day in Germany. Books which the Nazis did not like were burned publicly by order of the government. In the list of books consigned to the flames were those written by Socialists, Communists and Jews, and also books such as Erich Remarque's "All Quiet on the Western Front," which expressed no political views, but which showed the horror and futility of war.

By this ruthless censorship the German government is preventing the German people themselves from knowing what is going on in their own country. When German readers of THE AMERICAN OBSERVER write to us, as some of them have done, saying that no injustices are being perpetrated in Germany against Jews or Communists or social democrats, that their government is working in the interests of peace and that it abhors war, they are perhaps telling the truth as they see it. But under the conditions of censorship which prevail in Germany, they are not in a position to know what the truth is. They know less about German conditions than foreigners do, for the foreigners have the benefit of observations made by disinterested persons—observations which may be freely published and read.

The idea behind the denial of freedom such as is practiced in Germany is that democracy is a futile system which does not deserve further trial. Hitler and his followers have discarded democracy altogether. They believe that the governmental leaders may decide what is best for the people. The theory of democracy is that the people may decide these things for themselves. A necessary condition of democracy is, of course, that before making their decisions the people may have political and social facts brought before them, and that they may speak and write freely and have the benefit of the opinions of others.

We Americans have not always lived up to our demo-



THAT GOVERNMENT AND INDUSTRY PARTNERSHIP
—Brown in Washington Star

cratic ideals. Sometimes we have put obstacles in the way of the freedom of people to express their views. Even now we see an organization, sometimes, calling itself patriotic yet demanding that those whose views it does not like shall be refused the right to speak freely and to publish their views freely. But in spite of these occasional departures from the practices of freedom, we have maintained freedom of speech and press as a cherished American ideal. It is written as a right in our Constitution, and it remains one of those political institutions which we have usually upheld and which stand out among the historical American ideals. Thoughtful Americans will no doubt set a higher value upon the ideal of freedom when they see how brutally it is being trampled upon in another highly civilized nation; when they realize that it is an ideal still to be worked for if it is to be rendered safe and secure.

Why Statesmen Fail

It is commonly said that the world's diplomats have made a mess of things in their handling of international relations. It is a popular thing to heap abuse upon the statesmen who seem to be doing so little to relieve distress. But are the people themselves largely to blame for governmental stupidities? And what is to be done about this failure to support sound public policies? The Cincinnati *Enquirer* makes this comment:

It is likely that the responsible statesmen of the world would like to sanction a drastic program for world recovery. But they have to face electorates unprepared for actions that may savor of defeat at the hands of other powers. In addition to experts who know the methods of economic recovery, we need a larger force of interpreters, or prophets, who can induce the people themselves to indorse the actions necessary. Unless the far-sighted measures of the technicians are thus translated into popular terms, it probably is idle to hope for decisive action from our statesmen.

"Economic Drama"

The press of the nation attaches great significance to the measures for the control and encouragement of industry which are being considered by the administration. (See AMERICAN OBSERVER, May 17.) But there is a wide disagreement as to what the nature and consequences of this legislation will be. Arthur Sears Henning, veteran Washington correspondent of the Chicago *Tribune*, says of this confusion of opinion:

Among onlookers of the economic drama two differing views prevail. One is that capitalists, a prey to fears of revolution, hastened to make concessions and enlist the aid of the government in staying off bolshevism. The other is that big business merely frightened the administration into sponsoring a scheme involving the long-sought extinction of the anti-trust laws and price agreements for which consumers will foot the bills.

Controlled capitalism has definitely taken its place along with controlled inflation as twin features of the Roosevelt program for conquering the depression.

Crisis of Capitalism

The Springfield *Republican* looks upon the proposed repeal of the anti-trust laws and the substitution of governmental control as the beginning of a new industrial epoch:

The modifications evidently coming will shake the legal foundations of the principle of competition, and socialists will see in it an advance toward their position. However, capitalism is always realistic and ready to adapt itself to new conditions the moment new conditions seem to compel acceptance. It was never developed according to a blue print "system" that some great idealist had thought out; it came up out of black night. It has undergone many changes in the lifetimes of people still living. For years there has been no pure capitalism anywhere in operation; in consequence of this depression it will probably go through another series of major readjustments. It is certainly on the way.

A Question of Ethics

It has been announced that Raymond Moley would contribute a weekly article on current governmental matters to a newspaper syndicate. The Detroit *News* challenges his right to do this, in the light of his official position and his close relations to the president:

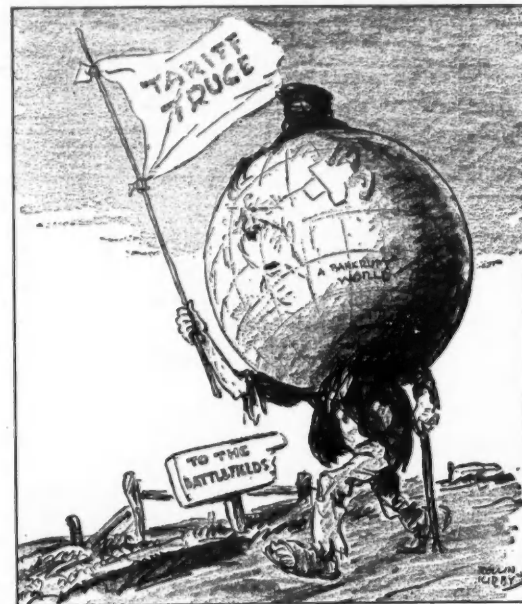
If it be true that Raymond Moley, assistant secretary of state, is entering into an agreement to write an exclusive article a week on government affairs for a newspaper syndicate, it will be an astounding error for any administration to fall into. For it is a sort of activity to which the consultation of the simplest ethics will suggest instant and compelling objections. Mr. Moley, a Columbia professor and the president's private oracle during the campaign and since, is now a public servant in a place which gives him much information which is the property of the people. It is incredible that his chief, who betrays in every official act the liveliest responsibility to the people and appreciation of their rights, will allow any creature of his to capitalize a public post.

It would, in fact, go farther than this in the case of Moley. It would be capitalizing a peculiarly close association with the president, for in the nature of things that friendship is giving Mr. Moley free run of sources of information in Washington, not the least of which is the president himself. The president's own responsibility in this is too clear, too immediate and too intimate to permit any indulgence or feigning not to see.

Our Interpreter

Harold J. Laski, an English political scientist now in the United States, criticizes the appointment of Robert W. Bingham as ambassador to his country from the United States. Writing for the London *Daily Herald*, he says:

He will do what any rich man can do with his embassy. He will not do what a few really eminent Americans could



IT DIDN'T WORK
—Kirby in N. Y. WORLD TELEGRAM

have done supremely well—explain America, through England, to Europe. Yet there are few tasks more urgent at the present time.

On almost any theme of vital import it is safe to say that the British public needs ten times the information it has upon the American attitude. On debts, on disarmament, on Japan, on the League, there are American views widely and carefully held of which we know nothing. Of the enormous economic revolution in the United States, which has challenged, to take one instance only, that bankers' authority which has been supreme in America since Woodrow Wilson left office, we are largely unaware.

Of the present depth of American distress, of the lack of confidence in both the leadership and the foundations of the present social order, we hear far too little in England. Of Mr. Roosevelt's own sense that the test of his statesmanship is going to be his ability to do something for him whom he has himself called the forgotten man, we are largely unaware.

When the President appointed Mr. Bingham to London, he must have understood that it is upon the English grasp of the meaning of these things that Anglo-American good will could really be built. Did he think that Mr. Bingham could teach us to understand them? Or did he think that, in the light of experience, we are largely unteachable?

Safety Campaign Succeeds

The Los Angeles *Times* tells of the remarkable success of the "Safety First" campaign inaugurated by the railroads a number of years ago:

Of the 480,000,000 passengers who in 1932 boarded railroad trains in the United States for the purpose of going places, all but one arrived at their destinations. Of the almost one half billion persons who paid their fares last year to ride behind the "iron horse" only one was killed in a railway accident. And he, strictly speaking, wasn't a passenger, but a railroad employee off duty.

This accident record is not accidental. It marks the close approach to a goal toward which the roads have been striving for years. Ever since the "Safety First" slogan made its appearance on railroad property and in railroad literature, less than a quarter of a century ago, rail accidents have shown a steady decrease. In 1931, the best previous year, there were only four accidents of the fatal variety.

When Prices Rise

The *Christian Science Monitor* is afraid that retail merchants will take advantage of demands for higher prices and will raise their prices unduly to the detriment of the unemployed and those whose wages are low:

If there are merchants who have marked up their retail prices on goods already stocked to sell at moderate profit at yesterday's levels, they are killing the goose before it has a chance to lay its first golden egg. If they seek to take greedy advantage of the public's mere expectation that prices will rise, they will be working against their own and the nation's best interests.

For buying power should rise before higher retail prices can be sustained. The beneficial effects of deflation, of the farm bill or any of the other devices to aid prices, should be felt first at the producers end of the scale.

Effects of Shorter Hours

It is probable that if the thirty-hour week were adopted by American industry, in accordance with the provisions of the Black bill, many effects, not now thought of, would result. It has been said that such legislation would help small producers, who confine their operations to a single state. They are unaffected by the Black bill, which applies only to plants the products of which are carried in interstate commerce. The small concerns could then work employees longer hours and gain an advantage over their larger rivals which do interstate business. The *Journal of Commerce*, however, sees a possible advantage to large companies if the thirty-hour week bill is enacted:

The tendency of recent years toward decentralization of industry into smaller communities will tend to be reversed if the thirty-hour bill is enacted into law, many manufacturers feel.

In order to keep plants operating sufficiently long hours to earn a profit on the capital investment, two or more shifts will be needed daily. In many small communities there is no adequate supply of local labor to provide for this. It is unlikely that additional labor can be attracted owing to lack of housing and other needed facilities.

WITH AUTHORS AND EDITORS

We read old books for their excellence, but new ones to share in the mental life of our time.—SATURDAY REVIEW OF LITERATURE.

Following is a list of some of the more outstanding books which have appeared during the last few months. They are recommended for summer reading.

Fiction

THE SHELTERED LIFE. By Ellen Glasgow, (Doubleday, Doran, \$2.50). A story of fading Southern aristocracy.

FLOWERING WILDERNESS. By John Galsworthy, (Scribners, \$2.50). One of the last works of the Nobel Prize winner of last year.

THE STORE. By T. S. Stribling, (Doubleday, Doran, \$2.50). Pulitzer prize winner for 1932. A story of a small Alabama town in the early eighties.

ANN VICKERS. By Sinclair Lewis, (Doubleday, Doran, \$2.50). Portrayal of an American woman which has provoked widespread comment.

ONE MORE SPRING. By Robert Nathan, (Knopf, \$2). A fantastic and mildly satirical novel about three victims of the depression.

THE COLOURED DOME. By Francis Stuart, (Macmillan, \$2). A mystical story of contemporary Ireland with a touch of politics and religion.

PAGEANT. By G. B. Lancaster, (Century, \$2.50). A frontier story of three generations of the Comyn family in Tasmania.

FORGIVE US OUR TRESPASSES. By Lloyd C. Douglas, (Houghton Mifflin, \$2.50). A well executed portrayal of the clash between cynicism and idealism in an individual.

THE LAST ADAM. By James Gould Cozzens, (Harcourt, Brace, \$2.50). The story of complicated relations in a small town in Connecticut.

THE YEARS OF PEACE. By LeRoy MacLeod, (Century, \$2.50). Everyday farm life in Indiana after the Civil War.

LET THE HURRICANE ROAR. By Rose Wilder Lane, (Longmans, Green, \$1.50). Pioneering in the Dakotas during the latter part of the last century.

AS THE EARTH TURNS. By Gladys Hasty Carroll, (Macmillan, \$2.50). The story of life on an old-fashioned Maine farm during the course of one year.

POND HALL'S PROGRESS. By H. W. Freeman, (Holt, \$2). New novel by the author of "Joseph and His Brethren."

History and Biography

MARIE ANTOINETTE: The Portrait of An Average Woman. By Stefan Zweig, (Viking, \$3.50). An attempt at fair appraisal of the life of the ill-fated queen.

HENRY ADAMS. By James Truslow

Adams, (Boni, \$2.50). A sympathetic account of the life of the author of *The Education*.

THE STRANGEST FRIENDSHIP IN HISTORY. By George Sylvester Viereck, (Liveright, \$3). A new interpretation of the relationship between President Wilson and Colonel House.

THE MARCH OF DEMOCRACY. 2 vols. By James Truslow Adams, (Scribners, \$3.50 each). A longer "Epic of America" by this eminent historian.

ESSAYS IN BIOGRAPHY. By John Maynard Keynes, (Harcourt, Brace, \$2.50). Sketches of prominent political leaders since the war.

FAREWELL TO REFORM. By John Chamberlain, (Liveright, \$3). A history of progressivism and the muckraking era.

CHARLEMAGNE. By G. P. Baker, (Dodd, Meade, \$3.50). A lively picture of the great Medieval emperor.

THE FRENCH REVOLUTION AND NAPOLEON. By Leo Gershoy, (F. S. Crofts, \$5). A complete account of the revolution and the Napoleonic era.

SONS OF THE WILD JACKASS. By Ray Tucker and Frederick R. Barkley, (L. C. Page, \$3). Sketches of the leading progressives in Congress.

THE EVOLUTION OF THE FRENCH PEOPLE. By Charles Seignobos, (Knopf, \$4.25). An incisive analysis of the social, political and economic development of the French.

POLITICAL INDIA: 1832-1932. By Sir John Cumming, (Oxford University Press, \$1.25). Background information on the Indian political crisis.

REVOLUTION: 1776. By John Hyde Preston, (Harcourt, Brace, \$2.90). A spicy account of the revolution with perhaps a little too much stress on the military aspects.

BULA MATARI-STANLEY, Conqueror of a Continent. By Jacob Wassermann, (Liveright, \$3). An excellent biography of a remarkable personality.

GARRETS AND PRETENDERS. By Albert Parry, (Covici-Friede, \$3.50). A history of Bohemianism in America since 1850.

WE, THE PEOPLE. By Leo Huberman, (Harpers, \$3.50). American history from the Liberal point of view.

GROVER CLEVELAND. A study in Courage. By Allan Nevins, (Dodd, Meade, \$5). Pulitzer prize biography winner for 1932.

MINUTE SKETCHES OF GREAT COMPOSERS. By Eva B. Hansl and Helen L. Kaufmann, (Grosset and Dunlap, \$1). Short biographies of 100 composers.

MEN AGAINST DEATH. By Paul de Kruif, (Harcourt, Brace, \$3.50). About the scientists who devote their lives to the battle against disease.

THE JUNIOR OUTLINE OF HISTORY. By I. O. Evans, (Appleton, \$2). An adaptation for younger readers of H. G. Wells' work.

GREAT MOMENTS OF HISTORY. By Nisenson and Parker, (Grosset and Dunlap, \$1). Illustrated synopses of important historical events.

Economics

A GUIDE THROUGH WORLD CHAOS. By G. D. H. Cole, (Knopf, \$3.75). A critical analysis of the present depression.

THE COMING STRUGGLE FOR POWER.

By John Strachey, (Covici-Friede, \$3.50). An argument for Communism as the way out by a member of the renowned Strachey family.

THE MODERN CORPORATION AND PRIVATE PROPERTY. By A. A. Berle, Jr., and Gardiner C. Means, (Macmillan, \$3.75). A detailed analysis of our corporate structure and a discussion of its future implications.

A NEW DEAL. By Stuart Chase, (Macmillan, \$2). An explanation of Mr. Chase's plan for economic organization.

BOOMS AND DEPRESSIONS. By Irving Fisher, (Adelphi, \$2.50). Development of the Fisher theories which have been the source of controversy among economists.

Public Affairs

LOOKING FORWARD. By Franklin D. Roosevelt, (John Day, \$2.50). The philosophy back of "The New Deal."

CAN AMERICA STAY AT HOME? By Frank H. Simonds, (Harpers, \$3). Role of United States in present international situation.

WILL THEY PAY? A Primer of the War Debts. By Dorsey Richardson, (Lippincott, \$1). A brief but comprehensive discussion of this controversial subject.

THE AMERICAN TRANSPORT PROBLEM.

By Harold G. Moulton and Associates, (The Brookings Institution, \$3). Findings of the men who worked on the Coolidge Transportation Committee.

DEMOCRACY IN CRISIS. By Harold J. Laski, (University of North Carolina Press, \$1.50). Discussion of the present trends of representative government and analysis of danger spots.

FOREST BANKRUPTCY IN AMERICA. By Lt. Col. George P. Ahern, (The Green Lamp League, \$2). The present forestation situation in each of the forty-eight states.

FOREIGN AFFAIRS BIBLIOGRAPHY. By William L. Langer and Hamilton Fish Armstrong, (Council on Foreign Relations, \$5). "A selected and annotated list of books on international relations, 1919-1932."

TATTERED BANNERS. By Talcott Powell, (Harcourt,



HENRY ADAMS

From the biography by James Truslow Adams

Brace, \$2.50). A history of veterans' legislation.

CONFESSIONS OF THE POWER TRUST. By Carl D. Thompson, (Dutton, \$5). An argument for public ownership of electric power.

THE INDUSTRIAL DISCIPLINE. By Rexford G. Tugwell, (Columbia University Press, \$2.50). A program for the control of industry by a member of the president's "brain trust."

Foreign Countries

FLYING OVER SOUTH AMERICA. By Annie S. Peck, (Houghton, Mifflin, \$3.50). A geography of South America from the air.

WHAT PRICE MALLORCA? By Percy Waxman, (Farrar and Rinehart, \$2.50). An excellent travel book on the Balearic Islands.

RED VIRTUE. By Ella Winter, (Harcourt, Brace, \$3). A picture of present-day Russia by the wife of Lincoln Steffens.

FOOTLOOSE IN INDIA. By Gordon Sinclair, (Farrar and Rinehart, \$2.50). Travel adventures in India.

Miscellaneous

DISCOVERY. By John Drinkwater, (Houghton Mifflin, \$3.75).

THIS TROUBLED WORLD. By John Drinkwater, (Columbia University Press, \$1.50). The first of these books is a continuation of this British author's autobiography, and the second is an essay on taking stock of life.

AMID THESE STORMS. By Winston Churchill, (Scribners, \$3.50). Essays dealing with the British statesman's political career.

THE METROPOLITAN COMMUNITY. By R. D. McKenzie, (McGraw-Hill, \$3.50). A complete analysis of population shifts by a member of President Hoover's committee on social trends.

ROADS TO KNOWLEDGE. By William Allan Neilson, (Norton, \$3.75). Discussion of science, the arts, biology, psychology, economics, history, philosophy, music, etc.

CAN MAN BE CIVILIZED? By Harry Elmer Barnes, (Brentano, \$2.50). Perspective view of civilizing influences.

THE WAY OF ESCAPE. By Sir Philip Gibbs, (Harpers, \$3). An appeal to young people to adjust themselves and find happiness in present conditions.



ILLUSTRATION IN "THE YEARS OF PEACE," A NOVEL BY LEROY MACLEOD



DURING the course of the school year, we have endeavored on this page to bring historical events to the attention of the student of history in their true perspective. We have made an attempt to stress the relationship of past events and trends to the problems and conditions which beset us today. Many of these discussions have quite logically dealt with economic problems because of the preponderant position those questions occupy in our lives today. Now that the school year is closing in the midst of such epoch-making events, the outcome of which is likely to affect the course of civilization for generations to come, the student of history should be fully conscious of the magnitude of the issues involved, the true import of the transition through which we are passing, and the proper relation which should obtain between present developments and the general scheme of historical development. For, it is coming to be recognized on all hands, the changed conditions which have confronted the world since the war call for a new set of concepts, a new series of adjustments, and preparations for a new era in the history of our economic life.

**Present a
Period of
Transition**

In order that we may effectively orient ourselves, let us turn our attention for the moment to the principal apices in the economic history of mankind. Since the Middle Ages, people have lived roughly under three economic systems. Under each one, man has secured the necessities of life according to the working of the system. During the long reign of feudalism in Europe, the economic life of the individual was relatively simple. Each unit, or manorial estate, was to all intents self-sufficient. The riches accruing from the cultivation of the soil were enjoyed almost exclusively by the lords, the serfs receiving barely enough food and clothing to subsist. Commercial intercourse between units was practically unknown, and consequently living conditions remained static. The standard of living was naturally very low.

Feudalism, as a manner of living and a generally prevalent economic system, was superseded by mercantilism, the heyday of which was the sixteenth and seventeenth centuries. Like every other important transition in the history of man's economic life, the change from feudalism to mercantilism was occasioned by rapidly changing conditions. Commerce was beginning to flourish in the sixteenth century. Ships laden with silks and spices and precious metals were arriving in European ports. Trade with the Orient and other newly discovered lands was becoming more profitable than the mere cultivation of land.

Now mercantilism was a form of capitalism as we know it today. Joint stock companies, similar to our great corporations, were organized for the purpose of handling and profiting by this trade. Enterprising individuals discovered that they could sell the crude hand-made products that were manufactured before the dawn of the machine. So, they hired men and women to weave cloth and make other goods in their homes, agreeing to pay them a small sum. Under the mercantilistic system, governments assumed rigid con-

**Development
of
Mercantilism**

trol over the trade of their citizens. They granted monopolies on the trade in certain overseas products to certain joint stock companies and certain individuals. They gave charters to other companies for the exclusive handling of the trade of specified regions of the world. Wealth in those days was considered to consist of gold and silver, and each country tried to sell as much as it could in order that gold might flow into the national coffers.

Present and Past Economic Orders Compared

By David S. Muzzey and Paul D. Miller

The acquisition of colonies gave great impetus to this policy, for the mother country was able to dictate to her distant possessions. She could forbid the manufacture of goods, holding that the market should be reserved to the producers of her own land, obliging the colonists to pay in hard metal for their purchases. It was under this system, it will be recalled, that the American independence movement got under way. The inhabitants of this continent revolted at many of the abuses connected with the system, such as the drastic limitations imposed on their economic freedom.

The second half of the eighteenth century saw another great change in the economic system of the world. Many clear-thinking students of commerce began to decry the policies adhered to under mercantilism. They felt that the restrictions imposed by governments—the granting of monopolies, the limitations on the colonists' economic liberty, the tendency to amass as much gold and silver as possible—were harmful and tended to lower rather than to enhance the general prosperity of a nation. "Let nature rule"—a doctrine which was making considerable headway in France, thanks to the writings of Rousseau and his followers—was made to apply not only to matters of personal conduct and liberty but also to matters of business and commercial intercourse between peoples. In England, this doctrine was forcefully voiced by Adam

**Rise of
System of
Laissez faire**

Smith in his "Wealth of Nations"—a treatise on economics published in 1776. He was the great exponent of *laissez faire*, the doctrine of economic freedom—free competition, free markets,—in a word, freedom from the shackles and restrictions which governments had imposed under the mercantilist system.

According to the *laissez faire* school of thought, which reigned supreme in most countries of the world throughout the nineteenth century, free competition would promote the best possible conditions of living and the highest degree of prosperity for a nation. Freed from government restrictions, businesses would have to rely upon their own initiative and would be obliged to operate efficiently. If they were not able to do so, they would be snuffed out by their competitors who, by manufacturing goods at a lower cost, would procure the available markets. In this way, the inefficient elements, the uneconomic concerns, would be weeded out and the great consuming public would be assured the benefits of lower prices than those obtaining under a system where the government granted special privileges.

Thus, *laissez faire* granted freedom to the business man. He was to have his own way, his success or failure depending upon his own ability. The concept of the functions of government underwent a drastic change. Its primary duties, under this system, were considered to be the protection and maintenance of peace and order, the establishment and support of an adequate postal system, the collection of taxes necessary to defray expenses, and other operations of an insignificant nature.

In America, the period between the Civil War and the World War has been considered "the golden age of *laissez faire*." It may be said that the only violation of the principles of *laissez faire* by the government during most of this period was the protective tariff which was designed to benefit the industrial and financial communities by reserving a wide na-

tional market for home producers. In other respects, business was left alone by the government. It was permitted to carry out its policies unhampered by regulations. Competition was the governing principle, and only those concerns which were able to weather the storm of competition were allowed to operate.

It was during this period that the doctrine was carried to great extremes. The rapid industrialization of the nation following the Civil War led to great economic activity.

**Laissez faire
Period in
America**

New industries arose overnight. Railroads penetrated the farthestmost corners of the continent. Telegraph companies were organized. Public utilities were set up to meet the needs of a rapidly spreading population. By accumulating large sums of capital, certain companies were able to cut prices to such an extent that competitors were mowed down. Many industrial organizations became virtual monopolies, and were thus in a position to fix their own prices. Other groups formed trusts which agreed upon market conditions. Dishonest and unethical practices became common and, as we have pointed out in recent discussions, a storm of protests arose against the big corporations and trusts.

Like a century earlier when Adam Smith and his contemporaries pointed out the inadequacies of the mercantilistic system, the latter part of the nineteenth century saw a movement for a change, by government fiat, in the order of the economic system. The government, it was said, instead of sitting idly by and watching the great financial organizations exploit their workers and the general public, should regulate business by curbing its freedom. Not a return to mercantilism was urged but an enforcement of *laissez faire* by breaking up the trusts and restoring the conditions necessary to a system of free competition. This was the fundamental concept of Woodrow Wilson in his doctrine of the "New Freedom."

But a number of individuals believed that the days of *laissez faire* were numbered and that it would be superseded by another economic system more adequate to meet the needs of new conditions wrought by the complete mechanization of industry. A number of economists questioned the workability of free competition in a world so completely removed from the conditions of Adam Smith's day.

**Evidences of
Another
Change**

The present depression has accelerated this belief. Business leaders themselves have, a good many of them, recognized the need of scrapping many of the principles religiously adhered to in order to cope with the problems now confronting us. The government itself has embarked upon a number of policies which are the complete reversal of the *laissez faire* concept. To mention but one—the farm bill. Under its provisions, American agriculture will be rigidly controlled by the government in an attempt to alter the conditions which have arisen under a system of economic freedom. Experiments of the same nature are being recommended for almost every other phase of economic activity.



HARVESTING WHEAT WITH AN OLD-FASHIONED CRADLE
Changing methods, accelerating the forces of production, have had a decisive effect on our philosophy with regard to the relationship between government and business.

© Ewing Galloway



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A PLAN TO AUGMENT OUR NAVAL FORCES BY HAVING NEW SHIPS CONSTRUCTED AS PART OF THE PUBLIC WORKS PROGRAM IS UNDER CONSIDERATION.

Notes on a Number of Things

*"The time has come, the walrus said, to speak of other things;
Of ships and shoes and sealing wax, and cabbages and kings."*

There was much complaint a few years ago because of the public demand for light and pleasant reading, for movies devoid of thought or problem, for a "happy ending" in fiction, on the stage and screen. Has the public taste changed now, or have the novelists, the playwrights, the producers, decided to ignore the wishes of their patrons? At any rate the productions have changed. It is hard nowadays to find a first-rate novel which is not based upon disillusion and tragedy. It is hard to find a serious play which does not depict failure and futility. It is hard to find an artistically satisfying film which encourages a spirit of light-heartedness.

I observe this artistic development with regret. I do not at all clamor for literature of the Polyanna type. I do not mind looking reality in the face. I admit the soul-stirring quality of tragedy. But all reality is not cynicism and disillusionment. Achievement, idealism, gayety, these are also facts of human experience. Why not mix them in with the rest in representations of life? And in times like these when there is so much defeat and despair, would it not be a fine thing if we could turn to a literature and an art of escape—if we might go to the theater or the movies and enjoy representations of achievement and happiness, even though the enjoyment be vicarious in nature?

* * *

Such being my turn of mind, I liked "The Working Man" immensely. George Arliss is one of the best. The acting is well done throughout. There is plenty of humor, a little seriousness, a far-fetched conclusion, perhaps, but a pleasant one. Altogether it is entertainment of a high order, artistically presented. It is the sort of entertainment which leaves you feeling better than it found you. And these days we need something of that sort.

* * *

Discontented elements come frequently to Washington to make demonstrations before the White House. Sometimes they are prevented from getting within shouting distance of it, but the present administration appears to have adopted the policy of leniency and toleration toward those who come to voice their grievances. Since the office of THE AMERICAN OBSERVER is

within half a block of the White House grounds, we see quite a little of these protest movements. A few days ago, as I stepped outside the building I saw a number of young men in caps and gowns scurrying about forming into line. This was a group of college graduates who had come to Washington to talk with the president about the plight of college men, who can find no opportunities in the industrial world.

* * *

Visitors in Washington are always anxious to get a glimpse of the president, and many of them inquire, upon reaching the city, how they may see him—that is, provided they have no business at the White House and must depend upon chance opportunities. Those who are in the city on Sunday can usually see the president as he attends church. Most of the presidents have been quite regular attendants at church services, and crowds are always lined up at the door of the church the president is to attend to see him arrive and again to see him depart. The churches attended by Presidents Taft, Wilson and Harding—Unitarian, Presbyterian and Baptist, in the order named—are quite close together on upper Sixteenth Street. President Coolidge attended a Congregational Church in the heart of the shopping district, while President Hoover attended a Friends Meeting on Florida Avenue. President Roosevelt attends St. Thomas' Episcopal Church, though for several Sundays he has been absent from church, resting or engaged in thought and study on the *Sequoia*, with which he makes week-end cruises on the Potomac.

* * *

One hears a good bit of comment about the so-called "brain trust," the college professors which President Roosevelt has about him as counsellors. These professors are very unpopular with the politicians chiefly because they adopt a scientific attitude in the consideration of public problems. They are less influenced than the politicians are by questions of political expediency. A serious offense in the eyes of the professional politicians is that they are filling many of the important governmental positions with men who are scientifically trained, rather than with men

who have performed party services. The Department of Agriculture, especially, is being filled with men trained technically to take care of the jobs assigned to them. This stirs the resentment of certain members of Congress who had hoped to secure the positions for their friends as a matter of party patronage.

—The Walrus.

NAVAL BUILDING PROGRAM

It appears that a great naval building program will soon be inaugurated by the United States government. According to agreements entered into by the governments in the London Naval Conference, each nation is allowed a certain number of ships of different classes. The United States has not taken full advantage of its right to build vessels. Hence our navy is not as large as the treaty would permit it to be. It is now proposed that we build up to the treaty limits during the course of five years. This would require the expenditure of \$230,000,000 during that time and the building of thirty vessels, including twenty destroyers, five light cruisers, four submarines and one aircraft carrier. The plan is that \$46,000,000 be used in this construction program during the coming year. This policy, on the face of it, seems to be in conflict with two other policies of the administration. For one thing, the administration is undertaking to economize and is cutting the expenses of the army and the navy. Fifty-five million dollars is to be taken from the naval expenditures during the year. Why should \$55,000,000 be lopped off and \$46,000,000 added? The answer is that the \$46,000,000 for naval construction will not be raised in taxes at this time. It is not considered a part of the regular expenses of the government. It is considered as money spent for capital equipment, and it is to be raised as a part of a bond issue—as a part of the public works program of the government in order to reduce unemployment. If ships are built, the demand for steel and other materials will, of course, be increased and this will tend to stimulate a number of industries.

But is this program in conflict with the effort of the administration to secure a limitation of armaments at the international armament conference? The reply is that we are proposing to build only up to the treaty limits, and furthermore, that the president will be authorized to stop or reduce the construction work if an agreement further reducing the navies of all nations is made at Geneva.

THOUGHTS AND SMILES

How sweet is life when whatever you do seems to be the most delightful thing!
—F. P. A. in N. Y. HERALD-TRIBUNE

A vicar's wife remarks that she didn't see a single man at a church bazaar. But no doubt lots of married ones had been dragged along.
—London HUMORIST

No man is wise enough by himself.
—Plautus.

"Credulity," said Hi Ho, the sage of Chinatown, "should be tempered by skepticism. To believe all doctors and to believe none of them prove equally fatal."
—Washington STAR

Now that we've learned about Huey, we think rather more tolerantly of "Alfalfa Bill."
—New York HERALD-TRIBUNE

Take the selfishness out of this world and there would be more happiness than we would know what to do with.
—H. W. Shaw

The savage desert tribes of Africa pay no taxes. It is a mystery therefore what makes them so savage.
—London PUNCH

There was a period in the history of the country when a boy had to turn the grindstone. How he despised the job, not realizing that having his nose on it would be worse.
—Toledo BLADE

Japan seems slightly irritated on finding our fleet in the Pacific, but of course we've got to keep it some place where there's water.
—Kansas City STAR

There is a chord in every human heart that has a sigh in it if touched aright.
—Ouida

"No one believes in witches today," says a writer. The idea of a witch riding through the air on a vacuum-cleaner is merely ridiculous.
—London PUNCH

All forces are joining to bring back prosperity. Even beer has been draughted.
—N. Y. HERALD-TRIBUNE

Probably Japan's final denial of any intention to invade China will be issued from Canton.
—Rochester DEMOCRAT AND CHRONICLE

The Versailles Treaty didn't do everything wrong. Suppose Germany had been given a mandate over Palestine.
—Louisville TIMES

PRONUNCIATIONS: Heimwehr (him-vair—i as in time), Goering (gu'ring—u as in burn), von Papen (fon pah'pen), von Schleicher (fon shli'kher—i as in time).

Importance of Germany Apparent in Review of Recent Foreign Events

(Concluded from page 1)

est, the one now under consideration, is the MacDonald plan, which has the approval of the United States. It provides for a considerable reduction in the standing armies of Europe, although at the same time giving greater equality to the defeated powers—Germany, Austria, Hungary and Bulgaria. In order to appease the French demand for security the United States has intimated that it will join in a consultative pact if the nations agree to disarm.

Germany

But just at present the outlook for the conference is dim. The chief difficulty is Germany's insistent demand for greater armaments—a demand which she has been making for months. By the Versailles Treaty Germany is denied the privilege of maintaining what she considers adequate armaments. She is bitter because of the status of inequality which has been thrust upon her and has been doggedly working to bring herself to a level with other nations, particularly France. The Germans first announced their claim on August 31, 1932, by asking France to join in discussions looking to the eventual restoration of equality. France refused to consider the suggestion and the upshot of it was a declaration on the part of Germany that she would no longer cooperate with the conference until her right to equality had been recognized. The conference seemed about to be wrecked, and was saved only through the skillful diplomacy of the American delegate, Norman Davis. Early last December Mr. Davis brought about the signing of a five-power agreement—United States, Great Britain, France, Germany and Italy—which acknowledged Germany's right to equality of treatment and provided for the working out of a disarmament convention which should supplant the sections of the peace treaties which impose armament restrictions on the defeated powers. The conference has been working for such an agreement since February but so far without success. It is now seriously threatened because Germany wants to increase her armaments and implies that she will soon begin to do so. She is not willing to wait for other nations to reduce their armaments to her level.

It is Germany which, besides helping to make more difficult the work of the disarmament conference, has contributed the most to the present uneasy state of Eu-

rope. This is not said with the thought of passing judgment but with the simple intention of placing on record the undeniable fact that recent events in Germany have greatly disturbed the European continent. The reason for this has been the rise of Adolf Hitler to power, which, in turn, came as a reaction to the burdens imposed on Germany immediately after the war.

Rise of Hitlerism

Last September, Franz von Papen was chancellor of Germany. But he was chancellor without the support of the Reichstag. The people apparently did not approve. New elections, designed to clarify the situation, were held on November 6. Again, von Papen could not obtain support and President von Hindenburg forced him to resign, although he had previously kept him in power by presidential authority. General Kurt von Schleicher was called upon to succeed after a sixteen-day parliamentary crisis. The general, hailed as a strong man and as a future dictator, did not last long. The president accepted his resignation on January 28 of this year, and, yielding to the demands of the Nazis, turned over the chancellorship to Adolf Hitler.

Elections were held once more on March 5. This time Hitler squeezed through with a majority by virtue of the support of the Nationalist, or monarchist party. He had attained the end for which he had been striving for years. And he did not delay in taking advantage of his opportunity. He began at once to suppress his enemies, chiefly Jews and Communists, convened the Reichstag at Potsdam on March 21 and had it vote him complete dictatorial power. The fiery chancellor is now busily engaged in transforming Germany into a fascist state. It is not clear yet, just what he intends to do, but there will be an interesting story to tell next fall.

It was to be expected that Hitler's coming to power should cause a profound state of uneasiness in Europe. He had often threatened forcefully to destroy the Versailles Treaty and to recover the Polish Corridor. Thus, when it appeared that he would dominate Germany, opposition to him stiffened. The Little Entente countries—Czechoslovakia, Rumania and Jugoslavia—strengthened the bonds uniting them, fearing also Italy which seemed sympathetic to Germany. Tension increased to the point that people everywhere were talking about war breaking out. Poland

strengthened herself around Danzig and France looked askance at Nazi demonstrations near the demilitarized Rhine zone.

The situation looked so desperate that Ramsay MacDonald hastened across the channel to see what he could do. He stopped first at Paris to confer with French officials and then sped to Geneva. The disarmament conference was about to be declared a failure. He proposed his plan and gave the delegates something to talk about. Then, he hurried off to Rome in an effort to induce Mussolini to use his influence with Hitler, who, flushed with victory, was frightening the whole of Europe. Mussolini suddenly countered the British prime minister's move by proposing a plan of his own for the safeguarding of European peace. It called for the close cooperation of Great Britain, France, Germany and Italy, and recognized that some revision of treaties was necessary. The announcement of the plan caused a furor. The small countries shouted their disapproval. France's allies called upon her to support them. After some hesitation France did so and the Mussolini plan promptly collapsed.

Preparation for the W. E. C.

Just when the European situation seemed darkest a ray of light appeared. There had been talk for months about holding a World Economic Conference, a gigantic meeting which would try to solve outstanding economic problems, such as tariffs and currencies. The suggestion was first made at the Lausanne Conference which did away with German reparations last summer. But not much headway was made toward holding the meeting because of the troubled political situation. However, new hope was born when President Roosevelt last month invited eleven nations to send special representatives to Washington to discuss the program for the conference. The president assumed the leadership and made known America's intention to cooperate. As we know, the visitors came, headed by Ramsay MacDonald and former Premier Herriot of France. But all has not been clear sailing. While the distinguished statesmen were on their way to this country the United States suddenly left the gold standard. This international complication made it difficult to carry on the conversations. And, in addition, the troublesome war debt question cropped up again without being settled. The debt problem has been acute during the last nine months. Called upon to pay their installments last December, several nations, principally France, refused to pay on the ground that the abolition of German reparations entitled them to



—Fitzpatrick in St. Louis POST-DISPATCH
WINGS OVER EUROPE

debt revision. The United States did not agree. The question has reached deadlock now.

Situation Today

This brings us to today. As this review is written, affairs have again become critical, and the spirit of optimism resulting from President Roosevelt's discussions with foreign statesmen, seems to have vanished. Once more Germany figures largely in the explanation of this dismal turn of events. Early this month at the disarmament conference Germany kept insisting that actual equality of armaments must be accorded her immediately. In the face of this attitude the conference was hardly able to continue its discussions.

The effect of this has been somewhat of a surprise. By its actions the Hitler government has succeeded in aligning practically the entire world against it. The British especially have turned against the Germans, to whom they previously were sympathetic. A few days ago Hitler sent a personal representative to London, Dr. Alfred Rosenberg. Sent to enlighten the British government with regard to events in Germany, Dr. Rosenberg met with such stern rebuffs as must have caused consternation in the inner circles of Berlin. Viscount Hailsham, the British minister of war, flatly told the German envoy that if Germany undertook to rearm she would be charged with violation of the Versailles Treaty, and that in consequence Germany would render herself liable to the imposition of sanctions by the European powers.

Hitler's Dilemma

The Germans were worried over the attitude of Britain. It appeared that they were being isolated. Not even Italy, on whose support they had counted, was standing behind them. Premier Mussolini had indicated that he was not in sympathy with Germany's desire to rearm. The net effect was to place Adolf Hitler in a delicate position. He was well aware of the danger of provoking the enmity of other nations, yet he had become chancellor on a pledge to destroy the sections of the Versailles Treaty which thrust inequality upon Germany. He was therefore faced with a difficult decision. Should he declare that Germany must arm, thereby pleasing his followers but having to face the charge of wrecking the disarmament conference and turning Europe toward war, or should he compromise on the armament question and run his risks at home? Fully aware of the importance of his decision Chancellor Hitler hurriedly summoned the Reichstag into session May 17. Using that body as a forum he was expected to make a formal declaration of foreign policy and to clarify Germany's position on the armaments problem.



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CHANCELLOR HITLER ADDRESSING CROWDS IN BERLIN ON MAY DAY
The accession to power of the Nazi leader has been the chief disturbing factor in European politics.